

**EXECUTIVE SECRETARIAT****ROUTING SLIP**

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI				
2	DDCI		✓		
3	EXDIR				
4	D/ICS		✓		
5	DDI		✓		
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/Pers				
14	D/OLL				
15	D/PAO				
16	SA/IA				
17	AO/DCI				
18	C/IPD/OIS				
19	C/TTAL		✓		
20					
21					
22					
SUSPENSE		Date _____			

Remarks

3637 (10-81)



Executive Secretary

7/23/84

Date

THE WHITE HOUSE  
WASHINGTON

Executive Registry

84-4026/3

## CABINET AFFAIRS STAFFING MEMORANDUM

Date: July 20, 1984 Number: 186938CA

Due By:

24 JUL 1984

hia 6

Subject: DECISION MEMO: Commercial Use of Space

LOGGED

	Action	FYI		Action	FYI
<b>ALL CABINET MEMBERS</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>CEA</b>	<input type="checkbox"/>	<input type="checkbox"/>
Vice President	<input type="checkbox"/>	<input type="checkbox"/>	<b>CEQ</b>	<input type="checkbox"/>	<input type="checkbox"/>
State	<input type="checkbox"/>	<input type="checkbox"/>	<b>OSTP</b>	<input type="checkbox"/>	<input type="checkbox"/>
Treasury	<input type="checkbox"/>	<input type="checkbox"/>	<i>NAS</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Defense	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Attorney General	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Interior	<input type="checkbox"/>	<input type="checkbox"/>	<b>Baker</b>	<input type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input type="checkbox"/>	<input type="checkbox"/>	<b>Deaver</b>	<input type="checkbox"/>	<input type="checkbox"/>
Commerce	<input type="checkbox"/>	<input type="checkbox"/>	<b>Darman (For WH Staffing)</b>	<input type="checkbox"/>	<input type="checkbox"/>
Labor	<input type="checkbox"/>	<input type="checkbox"/>	<b>McFarlane</b>	<input type="checkbox"/>	<input type="checkbox"/>
HHS	<input type="checkbox"/>	<input type="checkbox"/>	<b>Svahn</b>	<input type="checkbox"/>	<input type="checkbox"/>
HUD	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Transportation	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Energy	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input type="checkbox"/>	<input type="checkbox"/>	<b>Executive Secretary for:</b>		
UN	<input type="checkbox"/>	<input type="checkbox"/>	<b>CCCT</b>	<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input type="checkbox"/>	<input type="checkbox"/>	<b>CCEA</b>	<input type="checkbox"/>	<input type="checkbox"/>
			<b>CCFA</b>	<input type="checkbox"/>	<input type="checkbox"/>
<b>GSA</b>	<input type="checkbox"/>	<input type="checkbox"/>	<b>CCHR</b>	<input type="checkbox"/>	<input type="checkbox"/>
<b>EPA</b>	<input type="checkbox"/>	<input type="checkbox"/>	<b>CCLP</b>	<input type="checkbox"/>	<input type="checkbox"/>
<b>NASA</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<b>CCMA</b>	<input type="checkbox"/>	<input type="checkbox"/>
<b>OPM</b>	<input type="checkbox"/>	<input type="checkbox"/>	<b>CCNRE</b>	<input type="checkbox"/>	<input type="checkbox"/>
<b>VA</b>	<input type="checkbox"/>	<input type="checkbox"/>			
<b>SBA</b>	<input type="checkbox"/>	<input type="checkbox"/>			

## REMARKS:

Please see attached for the President's decision on the use of commercial space.

Thanks.

[NOTE: This was forwarded to you earlier electronically.]

## RETURN TO:

☐ Craig L. Fuller  
Assistant to the President  
for Cabinet Affairs


☐ Don Clarey ☐ Tom Gibson ☒ Larry Herbolzheimer  
Associate Director  
Office of Cabinet Affairs

THE WHITE HOUSE

WASHINGTON

July 18, 1984

MEMORANDUM FOR THE PRESIDENT

FROM: CRAIG L. FULLER 

SUBJECT: Commercial Use of Space

A Cabinet Council on Commerce and Trade Working Group has reviewed an assortment of initiatives designed to encourage commercial activity in space. These suggestions were invited as part of our effort to develop a clear policy for space related commercial activities. The CCCT Working Group, chaired by Bud Evans at NASA, has completed its review and has presented the attached material for consideration.

There were four general categories considered:

- I. Economic Initiatives. Tax laws and regulations which discriminate against commercial space ventures need to be changed or eliminated.
- II. Legal and Regulatory Initiatives. Laws and regulations predating space operations need to be updated to accommodate space commercialization.
- III. Research and Development Initiatives. In partnership with industry and academia, government should expand basic research and development which may have implications for investors aiming to develop commercial space products and services.
- IV. Initiatives to Establish and Implement a Commercial Space Policy. Since commercial developments in space often require many years to reach the production phase, entrepreneurs need assurances of consistent government actions and policies over long periods.

RECOMMENDATIONS:

The following proposals are recommended for Presidential approval:

Economic Initiatives:

- Replace the current "carry-on test" for the 25% research tax credit with provisions allowing corporations engaged in a trade or business to form joint ventures and be eligible to use any R&D tax credits resulting from the venture. (I-1)
- Modify the tax code to assure that space capital projects owned principally by United States interests and operated for domestic purposes are eligible for the 10% Investment Tax Credit and the accelerated cost recovery system. (I-2)
- Facilitate long-term contracts with new space ventures if the Government has a need for the product and if the purchase would be cost-efficient. (I-3)
- Direct the Treasury to develop a proposal designed to identify those prototypes eligible for the R&D credit even though eventually used in commercial service, in a manner that would reduce uneconomic incentives that may currently exist. (I-4)
- Clarify the appropriate tariff regulations to ensure space-made products are not considered imports when returned to the United States. (I-5)

These proposed changes are in reference to the current tax law. They would, of course, be revised in accordance with decisions made on fundamental tax reform later this year.

Legal and Regulatory Initiatives:

- Assure that radio frequency assignment for private sector use is timely. Consult with departments and agencies as appropriate. (II-1)
- As a first step, transfer, through Executive Order, the responsibility for controlling space launches from non-government facilities to the Department of Transportation. As a second step propose legislation to confirm this action and streamline the process. Consultation is required as part of both steps with State on foreign policy issues and with the Department of Defense on national security issues. These departments and any other affected agencies would be given an opportunity to concur in the interagency review process. (II-2)

- Provide additional protection of proprietary information through the Space Act. (II-3)
- Assure fair international competition. (II-4)

Research and Development Initiatives:

- Expand current practices to increase private sector awareness of space opportunities and to encourage increased industry investment in high-tech, space-based research and development. (III)

These initiatives would not alter the Administration's basic policy of focusing Federal funding on basic research. It would also not involve any change in the previously approved NASA multiyear funding levels for fiscal years 1984 and 1985. Proposals for additional funding would be presented in the 1986 budget process.

Initiatives to Establish and Implement a Commercial Space Policy:

- Establish and implement a consistent space policy. Immediate steps would include announcing commercialization decisions and increasing public awareness about the commercial opportunities in space. (IV-1)
- Develop a plan for privatization of specific government space activities. (IV-3)
- Establish a high-level national focus for commercial space issues by creating a CCCT Working Group on the Commercial Use of Space. The Working Group would be chaired by a representative of the Department of Commerce with a representative of NASA serving as vice chairman.

Membership would consist of all interested departments and agencies. All departments and affected agencies will be invited to participate in the initial meeting of the working group and may determine the degree of participation they desire.

The Assistant to the President for National Security Affairs and the Assistant to the President for Cabinet Affairs will oversee the development of a memorandum of understanding clarifying the coordination process between the SIG(Space) and the CCCT Working Group on the Commercial Use of Space, and the functions and responsibilities of the two bodies.

The proposals listed below were considered and are recommended for further study:

Economic Initiatives:

- Modify research tax credit for space industries where their unique characteristics may warrant distinct provisions. (I-1)
- Explore the tax treatment of free government services for research and development. (I-6)

Initiatives to Establish and Implement Commercial Space Policy:

- Assure reasonably priced access to the Shuttle. (IV-2)

[The following proposal was considered and it is recommended that you reject it.]

Economic Initiatives:

- Reduce space investment risk through Government loan guarantees, purchase of securities options and by allowing sale of R&D debentures. (I-3)

ACTION:

- ☐ Approve as recommended
- ☐ Not approved
- ☒ Approved as modified

Attachments